

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM**

EXECUTIVE SUMMARY

Applicant:	Stanford University (the "University") Stanford, California Santa Clara County	Amount Requested:	\$120,000,000
		Date Requested:	June 28, 2001
		Requested Loan Term:	20 years
Facility Type:	Private University	Resolution Number:	189
Accreditations:	Western Association of Schools and Colleges		

Use of Bond Proceeds: To current refund existing Authority bonds issued in 1991. This will result in overall net present value savings of approximately \$6.5 million.

Type of Issue:	Negotiated public offering, fixed rate
Credit Enhancement:	None
Credit Rating:	Aaa/AAA – (Moody's and S & P) based on University credit
Senior Underwriter:	Goldman, Sachs & Co.
Bond Counsel:	Orrick, Herrington & Sutcliffe

Financial Overview: Stanford University remains a consistently strong organization. Additional 2001 debt has no material impact on the University's superior financial strength. Rating agencies maintain Stanford's high quality rating projecting an ongoing stable outlook.

Consolidated Sources of Revenues (\$000)- FYE 8-31-00:	Amount	Percent
(Unrestricted Funds)		
Sponsored research support	\$674,408	29%
Investment income	515,204	22%
Health Care Services	460,084	20%
Student Income	279,896	12%
Other income	263,918	12%
Expendable gifts in support of operations	113,187	5%
Total revenue	<u>\$2,306,697</u>	<u>100%</u>

Estimated Sources of Funds (\$000):		Estimated Uses of Funds (\$000):	
Bond Proceeds	\$120,000	Refunding 1991 CEFA Series J	\$123,534
Original Issue Discount	(208)	Financing Costs	775
Borrower Contribution	4,517		
Total Sources	<u>\$124,309</u>	Total Uses	<u>\$124,309</u>

Legal Review: No information was disclosed to question the financial viability or legal integrity of this applicant.

Staff Recommendation: Staff recommends the Authority approve a resolution in an amount not to exceed \$120,000,000 for Stanford University, which meets the standard bond issuance guidelines for "A" or better rated debt.

**STAFF SUMMARY AND RECOMMENDATION
BOND FINANCING PROGRAM**

June 28, 2001
Resolution Number: 189

STANFORD UNIVERSITY

I. PURPOSE OF FINANCING: Stanford University proposes to current refund its Series J bonds issued by the Authority in 1991 (original issue \$142,895,000) to take advantage of current low interest rates. This financing is expected to generate overall net present value savings of approximately \$6.5 million.

Uses of Funds:

▪ **Current Refund Series J Bonds** **\$123,534,440**

The Series J bonds to be refunded were used to refund portions of the University's prior Authority issues. A total of \$123,534,440 of bond proceeds will be placed in escrow to effect the refunding, including \$2,374,100 for early redemption penalties. The proposed bonds will extend the existing maturity of the Series J bonds from 15 to 20 years through 2021. Currently, \$124,295,000 remains outstanding on the Series J bonds.

▪ **Financing costs** **774,574**
Costs of Issuance299,817
Underwriters Discount474,757

Total Uses of Funds **\$124,309,014**

Financing Structure:

- Negotiated public offering
- Fixed interest rate
- 20 year maturity with final maturity in 2021
- Expected Aaa/AAA – (Moody's and S & P) ratings

II. FINANCIAL STATEMENTS AND ANALYSIS:

STANFORD UNIVERSITY

Consolidated Statement of Activities
Unrestricted (000's)

	Fiscal Year Ended August 31,		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Revenues:			
Student Income	\$ 279,896	\$ 268,178	\$ 265,686
Sponsored research support	674,408	633,618	635,545
Expendable gifts in support of operations	113,187	97,412	77,629
Investment income	515,204	402,817	264,280
Health Care Services	460,084	155,120	-
Other income	206,427	158,467	281,075
Net assets released from restrictions	57,491	32,931	34,158
Total revenues	<u>2,306,697</u>	<u>1,748,543</u>	<u>1,558,373</u>
Expenses:			
Salaries and benefits	1,067,250	808,661	596,089
Depreciation	194,279	112,093	91,149
Stanford Linear Accelerator Center	179,892	170,660	187,160
Institutional support	469,213	293,580	287,617
Other operating expenses	217,228	214,541	315,281
Total expenses	<u>2,127,862</u>	<u>1,599,535</u>	<u>1,477,296</u>
Excess of revenues over expenses	178,835	149,008	81,077
Other changes in unrestricted net assets			
Reinvested endowment gains	1,966,599	1,128,604	(93,647)
Other changes	148,804	163,569	126,671
Net change in unrestricted net assets	<u>2,294,238</u>	<u>1,441,181</u>	<u>114,101</u>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>6,719,835</u>	<u>5,278,654</u>	<u>5,164,553</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 9,014,073</u>	<u>\$ 6,719,835</u>	<u>\$ 5,278,654</u>

Note: Health care activities of UCSF Stanford Health Care are reported in FY1998 based on the equity method of accounting.

STANFORD UNIVERSITY
Consolidated Statement of Financial Position (000's)

	As of August 31		
	2000	1999	1998
ASSETS:			
Cash and cash equivalents	\$ 533,666	\$ 488,932	\$ 725,922
Accounts receivable	543,665	208,155	150,523
Inventories, prepaid expenses	82,461	50,535	31,853
Pledges receivable	481,497	177,101	172,305
Student loans receivable	74,693	73,851	71,117
Other loans receivable (principally faculty mortgages)	173,147	141,332	112,344
Investments at fair value	10,797,136	7,807,177	6,052,372
Net assets of related health care entities	20,063	451,613	476,431
Plant facilities, net of accumulated depreciation	2,215,027	1,718,430	1,498,329
TOTAL ASSETS	\$ 14,921,355	\$ 11,117,126	\$ 9,291,196
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable and accrued expenses	\$ 750,803	\$ 424,540	\$ 361,307
Liabilities under security agreements	358,441	343,015	382,679
Income beneficiary share of living trust investments	258,100	237,196	253,644
Notes and bonds payable	1,379,919	1,126,293	960,951
U.S. Government refundable loan funds	49,312	48,418	47,219
TOTAL LIABILITIES	2,796,575	2,179,462	2,005,800
Net assets:			
Unrestricted:			
Designated for operations	1,324,750	918,666	791,423
Investment in plant facilities	1,157,488	1,023,620	915,883
Endowment gains and funds functioning as endowment	6,511,772	4,325,936	3,094,917
Investment in UCSF Stanford Health Care	20,063	451,613	476,431
Total Unrestricted	9,014,073	6,719,835	5,278,654
Temporarily Restricted	503,824	289,012	318,941
Permanently Restricted	2,606,883	1,928,817	1,687,801
TOTAL NET ASSETS	12,124,780	8,937,664	7,285,396
TOTAL LIABILITIES AND NET ASSETS	\$ 14,921,355	\$ 11,117,126	\$ 9,291,196

Financial Ratios:

	Proforma (a) YE Aug 31, 2000	2000	1999	1998
Debt service coverage (x)	22.61	27.34	21.27	2.57
Debt to expendable net assets (x)	0.17	0.14	0.16	0.17
Expendable net assets to operations (x)		4.47	4.38	3.79
Margin (%)		7.8%	8.5%	5.2%

(a) Recalculates 2000 audited results to include the payment of this proposed financing including additional debt incurred in 2001. Refer to Financial Discussion on page 4.

Note: Health care activities of UCSF Stanford Health Care are reported in FY1998 based on the equity method of accounting.

Financial Discussion:

Stanford University remains a consistently strong organization. Additional 2001 debt has no material impact on the University's superior financial strength.

Stanford University's financial strength can be attributed to several factors including its: leading market position in the nation, strong student demand, array of programs offered, large endowment fund balances as well as being among the nation's leading research universities.

The University's revenue stream is highly diversified with its academic operations generating a strong margin averaging more than 7% over the last three years. Cash and investments totaling more than \$11.3 billion provide a substantial liquidity cushion. Debt service coverage for fiscal 2000 is very strong at over 27 times.

In March 2001, the Authority approved a resolution in the amount of \$104 million for new construction including student housing, renovations, and various infrastructure improvements. At the same time, the University planned to issue a taxable medium term note in the amount of \$50 million. With the inclusion of the 2001 debt and the costs associated with this proposed refunding, the University's pro forma debt service coverage remains very strong at over 23 times.

Rating agencies maintain Stanford's high quality rating projecting an ongoing stable outlook.

Following the sale of the Authority's Series Q revenue bonds and the simultaneous issue of a \$50 million medium term note in April 2001, Moody's Investors Service and Standard & Poor's (S&P) rating agencies both reaffirmed the University's longstanding Aaa/AAA rating. Moody's outlook expects Stanford to maintain: its leading market position, superior balance sheet cushion and liquidity, moderate future debt plans, and favorable operating performance. According to S&P's most recent analysis, Stanford's excellent demand profile, coupled with its high levels of unrestricted resources and endowment, provides significant flexibility and credit stability.

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III. STUDENTS, COLLEGE COSTS, AND FACULTY STATISTICS:

Applicant Pool

As one of the nation's most prestigious universities, Stanford attracts large numbers of highly qualified applicants for admission to its undergraduate and graduate programs. This provides assurance that the University can easily maintain stability of enrollment. For the 2000 fall quarter, the University enrolled 6,548 undergraduate and 6,779 graduate students. For the academic year 2000, 1,737 bachelor degrees and 2,904 advanced degrees were conferred. The following table provides a summary for the last five years of undergraduate and graduate applications, admissions and enrollment.

Freshman and Transfer (Combined)*

Academic Year	Applications	Offered Admission	Selectivity Ratio	New Enrollments
1996-1997	17,545	2,833	16.1%	1,754
1997-1998	18,068	2,769	15.3%	1,778
1998-1999	20,218	2,630	13.0%	1,702
1999-2000	19,221	2,718	14.1%	1,770
2000-2001	19,580	2,538	13.0%	1,679

* Headcount, not full-time equivalent

Graduate Programs *

Academic Year	Applications	Offered Admission	Selectivity Ratio	New Enrollments
1996-1997	28,157	4,335	15.4%	2,153
1997-1998	27,924	4,480	16.0%	2,323
1998-1999	28,865	4,601	15.9%	2,376
1999-2000	28,295	4,525	16.0%	2,387
2000-2001	27,095	4,422	16.3%	2,288

* Headcount, not full-time equivalent

Enrollments and Degrees

Similar to new enrollments, total enrollments remained fairly constant over the past five years. Accordingly, the number of degrees awarded remained fairly constant as well.

Academic Year	Undergraduate FTE	Graduate FTE	Total FTE	Bachelor	Graduate	Total FTE Enrollment
1996-1997	6,550	6,358	12,908	1,704	2,735	4,439
1997-1998	6,639	6,440	13,079	1,694	2,863	4,557
1998-1999	6,591	6,556	13,147	1,687	2,909	4,596
1999-2000	6,594	6,679	13,273	1,737	2,904	4,641
2000-2001	6,548	6,779	13,327	n.a.	n.a.	n.a.

Undergraduate Tuition, Fees, Room and Board

The University's tuition, room, board and fees for a full-time student for 2000-01 is \$32,471. A five-year summary of comprehensive fees is provided below. Total cost has increased an average of 3.5% per year over the last five years.

Academic Year	Undergraduate Tuition and Fees	Room and Board	Undergraduate Total
1996-1997	\$20,490	\$7,337	\$27,827
1997-1998	\$21,300	\$7,557	\$28,860
1998-1999	\$22,110	\$7,769	\$29,879
1999-2000	\$23,058	\$7,881	\$30,939
2000-2001	\$24,441	\$8,040	\$32,481

Faculty Summary

The total number of faculty has increased modestly in the last decade. The following table provides a breakdown of the faculty for each of the last five academic years.

Academic Year	Tenure Line/Tenured	Tenure Line/Not Tenured	Not Tenure Line	Total Professoriate
1996-97	904	271	313	1,488
1997-98	931	263	341	1,535
1998-99	943	269	383	1,595
1999-00	950	280	411	1,641
2000-01	932	297	441	1,670

IV. BACKGROUND:

General:

Founded in 1885, Stanford University is one of a select group of American universities that has achieved eminence in both undergraduate and graduate education and in a broad range of academic disciplines. It is internationally recognized for the quality of its teaching and research, its distinguished faculty and its outstanding student body. Situated on 8,200 acres near Palo Alto in Santa Clara County, the University is 35 miles southeast of San Francisco and 20 miles northwest of San Jose. The program of instruction at the University is organized around seven schools: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law and Medicine.

Administration:

The University is governed by a Board of Trustees consisting of a minimum of 25 and a maximum of 35 members, including the President of the University. Current membership of the Board is 29. The Board is responsible for determining policies for operation and control of the University including, among other things, the adoption of the University budget, establishment of schools and departments, investment and accounting policies, debt policy and land use and development. The Board conducts its business through seven standing committees, including the Committees on Finance, Development, Audit, Academic Policy, Land and Buildings, Alumni and External Affairs and the Medical Center. The Board nominates and selects its successors, eight of whom shall be alumni Trustees.

The Stanford Management Company ("SMC") was established in 1991 to manage all financial and real estate investment assets of the University. In addition to providing investment management services, SMC is responsible for special investment-related activities such as securities lending, and selection, liaison and oversight of custodians. SMC assists in the management of the University's debt portfolio and oversees several trusts and investment entities established by the Board.

Accreditation and Affiliations:

The University is fully accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges ("WASC"), the primary accrediting body for institutions of higher education in the western United States. The last WASC accreditation was in year 2000.

The University also has professional accreditation from the Accreditation Board for Engineering and Technology using criteria and standards developed and accepted by United States engineering communities. The following undergraduate curricula are accredited at the University: Chemical Engineering, Civil Engineering, Electrical Engineering, Industrial Engineering and Mechanical Engineering.

Academic Programs:

Stanford is a major research and teaching university offering a wide range of undergraduate, graduate and professional degree programs. The Schools of Earth Sciences, Engineering and Humanities and Sciences (which includes the arts, humanities, sciences and social sciences) offer both undergraduate and graduate degree programs. The Schools of Business, Education, Law and Medicine offer graduate and professional degree programs. Undergraduate students are admitted to the University and have access to any undergraduate major and to classes and research opportunities in all seven schools. Degree programs are offered by departments and through interdepartmental programs involving faculty from multiple departments in one or more Schools. The University, its Schools and its academic programs hold all appropriate accreditations.

Stanford's research enterprise extends throughout the University. In addition to research conducted in the Schools, Stanford has a number of interdisciplinary research institutes and centers which bring together faculty and students from throughout the University to collaborate on research topics that cross traditional boundaries. A representative sample includes the Stanford Linear Accelerator Center, the Hansen Experimental Physics Laboratory, the Stanford Humanities Center, the Center for Computer Research in Music and Acoustics, the Center for Integrated Systems, the Institute for International Studies and the Center for Economic Policy Research. Extensive library and archival resources are available through the Stanford University Libraries and the Hoover Institution on War, Revolution and Peace.

Competition:

Student quality is extremely high and Stanford remains one of the most selective universities in the nation. The University's applications overlap mostly with prominent Ivy League institutions on the East Coast specifically, Harvard, Yale, Princeton and MIT. The University tuition is generally set somewhat below these institutions.

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V. OUTSTANDING DEBT (\$000's):

<u>Issue:</u>	<u>Original Amount</u>	<u>Amount Outstanding As of 8/31/00</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
Existing:			
CEFA Revenue Bonds – Series B, J, L 1-7, M, N, O, P	\$702,628	\$642,053	\$517,758
Department of Education Bonds	20,816	3,913	3,913
Stanford University Bonds	150,000	150,000	150,000
Notes	104,100	100,000	100,000
Commercial Paper	N/A	156,116	156,116
Other, with various interest rates	N/A	93,166 ⁽¹⁾	93,166
CHFFA Hospital Bonds	193,895	191,475	191,475
Certificates of Participation	N/A	43,196	43,196
Subsequent Debt Issued:			
CEFA Revenue Bonds – 2001 Series Q	101,860 ⁽²⁾	-	101,860 ⁽²⁾
Taxable Medium Term Note	50,000 ⁽²⁾	-	50,000 ⁽²⁾
Proposed:			
CEFA Revenue Bonds - 2001 Series R		_____	<u>120,000</u>
Total		<u>\$1,379,919</u>	<u>\$1,527,484</u>

N/A – Not applicable

⁽¹⁾ Represents primarily the debts of wholly owned real estate investments.

⁽²⁾ Issued 2001 – issued subsequent to 2000 audited financial statements.

VI. LEGAL REVIEW:

Staff has reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of this applicant.

VII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution in an amount not to exceed \$120,000,000 for Stanford University, which meets the standard bond issuance guidelines for "A" or better rated debt.